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ON PAGE 1-A

CHICAGO TRIBUNE  
4 May 1987

# STAT **Contra aid network: Big and not so secret**

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Chicago Tribune

WASHINGTON—Michael Toliver is a drug-smuggling pilot who tells about the time he flew a plane load of guns from south Florida to Central America for the U.S.-backed rebels fighting in Nicaragua, then returned with a plane load of marijuana, landing in the cover of darkness at Homestead Air Force Base near Miami.

From a room at the Metropolitan Correctional Center in Miami, Toliver has told his story to reporters, congressional investigators and a special prosecutor.

He said he was working for a secret network of former military and intelligence operatives organized to supply the rebels with weapons during a time that

Congress had cut off funding.

Others at the Miami prison have similar stories.

They make some sense. Drug-smuggling pilots are thought to be among the more skilled and reliable in flying missions in dangerous areas. And the contras, the Nicaraguan rebels trying to overthrow the Sandinista government, clearly needed the guns and money that drugs sales could bring.

The stories fall short in one critical area, however. Toliver

and the others have not provided clear evidence that U.S. officials authorized the guns-for-drugs flights.

But the fact that investigators are treating these stories seriously, traveling to south Florida for interviews with convicted felons, shows vividly the pitfalls of privatizing foreign policy and just how far the Reagan administration's effort to prop up the contras veered out of con-

trol.

Over the next several months, extraordinary congressional hearings will review the stories of Toliver and other pilots in the same room where Cabinet secretaries, military officials and lower-level civil servants will describe their own roles in the effort.

The committees will examine how Reagan administration officials worked to skirt congressional restrictions on military aid to the contras by using a private network of CIA operatives, former military officials, arms dealers, soldiers of fortune, lawyers, financiers and political fundraisers.

Faced with a congressional ban on contra funding in 1984, administration officials continued to assure rebel leaders that they would not be abandoned.

One White House official making such assurances, according to former contra leader Edgar Chamorro, was Marine Lt. Col. Oliver North, then director of political and military affairs for the National Security Council—the panel chosen by the administration to shepherd rebel support on the theory that the NSC was not an “agency” and thus not covered by the congressional restrictions.

North, taking a cue from Reagan's public passion for the contras, helped to assemble a not-so-secret army with private and public money to carry out a plan that Congress had forbidden.

But the sheer breadth of the network indicates that North could not have done it alone and that much of it had to be in place before he became involved.

To fill the financial void, the administration assembled a team to raise funds privately for the contras. The first major figure North recruited in early 1984 was retired Army Gen. John Singlaub. Later, another former Pentagon official, retired Air Force Maj. Gen. Richard Secord, joined the team formed to help raise money and procure weapons.

Singlaub, known by his crew-cut hair and outspoken Americanism, has acknowledged he tried to solicit money from South Korea and Taiwan and to purchase weapons for the rebels.

Secord, a onetime C-130 pilot, retired from the military in May, 1983, after a lengthy Justice Department investigation into his business ties to Edwin Wilson, a renegade CIA agent now serving a federal prison term for selling explosives to Libya. There were no criminal charges, but Secord said it destroyed his military career—a career that included several intelligence assignments with the CIA and long experience in the Middle East.

Two congressional sources said they think Secord also will provide hearsay testimony suggesting that North told him that President Reagan knew about the diversion of Iranian arms sales profits to the contras. But Reagan has said he did not know of the diversion—an action that Atty. Gen. Edwin Meese said could be illegal—and the sources said that Secord has no first-hand knowledge that the President knew of it.

By April, 1984, the administration had appointed Secord to head an antiterrorism task force that reported directly to the NSC. Within a year, he had helped set up a private resupply operation for the contras, often using former CIA pilots and the former CIA airline,

Southern Air Transport. He also played a crucial role in North's efforts to sell U.S. arms to Iran and divert the profits to the contras.

Secord has agreed to testify before the congressional committees. He has told friends and associates that he thinks he did nothing wrong and that he can prove that high U.S. government officials had authorized his actions.

Sen. Daniel Inouye (D., Hawaii), chairman of the Senate committee, said Secord knows details of the Iran arms sales and the contra resupply operation as well as anyone in the case.

But anything Secord says at the hearings can be used against him by Independent Counsel Lawrence Walsh, who is assembling evidence for further prosecutions in the Iran-contra affair.

Another Secord associate who helped North also was investigated

for his ties to Wilson. He is Thomas Clines, a retired CIA officer and target of a criminal investigation into massive overbilling to the U.S. in connection with Defense Department arms shipments

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to Egypt in the early 1980s. A company he controlled pleaded guilty and paid a criminal fine.

Clines is an expert in obtaining Eastern bloc weapons and in other aspects of arms trafficking. According to the sworn testimony of a close friend, Clines said he was working for the NSC in 1984 and 1985 on a contract basis.

A senior administration official said North reached out to Secord and Clines because they were already selling weapons in Central America. Walsh identified Clines as a "principal" target of his criminal investigation, and implored Congress not to give him immunity in exchange for testimony.

Also working with the network was Albert Hakim, Secord's Iranian-born business partner, who was well-versed in the secretive world of Swiss bank accounts. Hakim, who has been granted limited immunity, provided congressional investigators with records of some of those bank accounts, establishing that profits from the Iran arms sales were diverted to the contras and that some money remained in accounts set up for the rebels.

At first, the network functioned smoothly. Secord associates Richard Gadd and Robert Dutton helped oversee weapons-resupply flights and distribution. Felix Rodriguez and Rafael Quintero, two well-known CIA operatives, coordinated air and field operations.

Mercenaries trained in the United States by a group called Civilian Material Assistance also went to Nicaragua to help the contras.

To raise funds, North used Carl "Spitz" Channell, a consultant with an uncanny knack for extracting thousands of dollars from well-heeled conservatives to wheedling \$40 contributions from widows. North used Channell to set up tax-exempt corporations, adding the incentive of income-tax deductions for potential donors.

The President wrote Channell a letter on Oct. 10, 1985, praising his efforts. Some of the money Channell raised was routed through bank accounts in Switzerland and the Cayman Islands to spur resupply of the rebels.

A company Channell controlled deposited \$1.7 million to the account of Lake Resources, a Swiss "paper" corporation that North and Secord had used to funnel money to the contras.

Last Wednesday, Channell pleaded guilty to conspiring to defraud the Internal Revenue Service in connection with his fundraising activities for the contras.

North called his secret effort Project Democracy, establishing a covert arm for a program Reagan

earlier had authorized to "toster the infrastructure of democracy."

Project Democracy chartered corporations in Panama and Switzerland, bought a ship to ferry arms across the Atlantic, built an airstrip in Costa Rica and bought at least one plane for the contras. Lewis Tambs, the former ambassador to Costa Rica, told the Tower Board, a special review panel appointed by Reagan to investigate the Iran-contra affair, that the airstrip was built at the behest of North and the CIA.

The congressional committee hearings also will investigate the extent to which the CIA and its director, William Casey, remained deeply involved in the effort despite congressional prohibitions. Inouye said Casey played a "significant" role in the secret network.

The historical record of the contra war effort from 1984 through 1986, pieced together through public testimony, congressional hearings and interviews with intelligence, foreign relations and national security sources, provides a broad outline of a program that had at the very least the implicit blessing of the President and his key advisers.

"If North were doing a lot of things during that time period that were unwise or illegal, there had to have been people aware of that," said a former NSC staff member.

Clearly, Casey was one of them. The CIA directed contra troops, selected their leaders and planned their strategy well into 1984. The agency also helped the contras write and publish a manual instructing the rebels on how to carry out political assassinations. And the CIA knew about the gun-running operations.

Casey even knew, as early as Oct. 7, 1986, that funds from the U.S. arms sale to Iran might have been illegally diverted to the contras.

The CIA director was as unyielding as the President in his support for the contras.

But it was Reagan himself who set the tone for private support for the contras. Fearing that aid to the contras would be cut off by Congress in 1984, the President approved the solicitation of funds from private sources and foreign governments to keep the contras functional as a fighting force.

He continued his drive to promote the contras, including a major speech in April, 1985, at a Nicaraguan fund-raising dinner in Washington, despite the concern of his NSC staff that critics would question the propriety of being so overtly involved in helping the contras get money.

The program, following a maxim

of covert action, was conducted so that administration officials could plausibly deny government involvement because of the congressional prohibitions.

Nonetheless, the chronology of events leads to the conclusion that the CIA, the armed services and other government agencies remained involved deeply in the contra effort.

North, for example, had no experience in finance or tax law. Yet he allegedly set up a series of tax-exempt corporations for contra funding and multinational corporations through which contributions could be laundered. North also used an account set up by the Pentagon under the heading Project Yellow Fruit to fund secret military operations.

Overall, congressional investigators estimate that the network raised nearly \$100 million in contributions from private individuals and U.S. allies. The agency that had the skills and the experience to organize such a vast network was the CIA.

CIA Director Casey made his mark as a lawyer by publishing a series of tax manuals and is considered a tax expert. He also headed Reagan's presidential campaign in 1980, making him well-versed in national fund-raising.

Moreover, Casey favored the CIA getting back into the business of covert action. During the Carter administration, CIA covert action almost disappeared, and the agency reverted to being essentially an intelligence-gathering operation.

That changed under Reagan, who reportedly has signed at least 50 "findings," presidential orders permitting covert action. Walsh said his investigators have reviewed 200,000 pages of agency documents relating to the Iran-contra affair, far more than from any other government agency, including the NSC.

But the CIA and Casey have consistently denied involvement in the fund-raising network. Reagan has said he was aware that private citizens were donating money to the contras, but he said he thought it was to pay for TV ads urging Congress to resume funding for the contras.

As the network expanded, North, the CIA and others at the NSC took a more active role in running the contra war. But by mid-1986, the network had grown well beyond North's ability to control the operation. By August, former National Security Adviser

Robert McFarlane, fearing that North was mentally and physically exhausted, suggested he be sent to Bethesda Naval Medical Center for an evaluation.

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testified, the contras were \$2.5 million in debt.

Troubles surfaced on other fronts, too. Some, such as Sirglaub, said they joined the network for reasons of patriotism. But for others, the profit motive clearly was at work.

Evidence is abundant that some of the contributions were paid as bribes to military officials in Honduras, according to U.S. government sources and a Honduran military official. Investigators also believe that those who bought and transported weapons, such as Secord and Clines, took exorbitant commissions standard in black market deals and that contra leaders maintained a high standard of living at a time when troops were scrounging for clean bandages.

Rodriguez complained to Donald Gregg, Vice President George Bush's national security adviser, that the contras were being charged inflated prices for shoddy equipment and that the airplanes used in the resupply operation were barely functional, a senior administration official said.

The longer this back-channel operation existed, the more splintered it became. Freelancers, fueled only by the opportunity to make money, thrust themselves into the existing network.

"The gun-running was right there in the open," said John Mattes, a federal public defender in Miami, a key clearing point for many weapons shipments.

"In that period from 1984 to 1986, anything was possible and anything could be done," said Mattes, whose clients include a man convicted on a charge of running guns for the contras.

On Oct. 5, 1986, the fragile nature of the operation became starkly apparent. A cargo plane, financed originally by Southern Air Transport, was shot down over the jungles of Nicaragua and Eugene Hasenfus, a cargo handler from Marinette, Wis., was captured by Sandinista troops. Hasenfus said he had been told the mission was sponsored by the CIA.

The crash laid bare the private arms supply operation that North and the administration had refused to acknowledge.

The congressional oversight committees knew "damn little" about North's activities, said a former staff member of the Senate Foreign Relations Committee. "Several times we sensed something and we tried to get in touch with North, and he never got back to us," the former staffer said. "The upshot was he was never willing to send anyone to talk to the Republican staff on the committee."

"Around the time the Hasenfus plane crashed, we had a meeting with Elliott Abrams [an assistant

can affairs] and people from the agency [the CIA]. Without going into details, the meeting raised as many questions as it asked.

"I called Fawn Hall [North's secretary], and she promised

I called back and she said 'He can't talk to you now because he is on a mission of the greatest national importance.'"

North was in Iran trying to trade U.S. arms for hostages. And raise money for the contras.

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## How money flowed to the contras

### From private contributors to Nicaraguan rebels



**Carl Channell**

Organized and ran National Endowment for the Preservation of Liberty, a tax-empt foundation that solicited wealthy Americans to donate to Nicaraguan contra causes.



**Lt. Col. Oliver North**

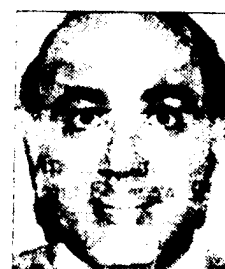
National Security Council aide, helped Channell raise money and directed how funds should be routed to contras.

### International Business Communications

Public relations firm headed by Richard Miller, hired by Channell to disburse money from contributors to contras. Funds are allegedly directed by North to foreign bank accounts.



**Richard Secord**



**Albert Hakim**

### Lake Resources

Swiss bank account controlled by Ret. Maj. Gen. Richard Secord and his business partner, Albert Hakim, who carried out North's sale and shipment of arms to Iran. Funds from contributors allegedly commingled with profits from Iran arms sale.

### Contras

Nicaraguans in armed opposition to their government received benefits from money in Lake Resources account, according to a chart investigators found in North's office safe.